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SUBJECT: Saarland Leader Mueller Lauds Own State as
Blueprint for National Success

REF: FRANKFURT 0462

1. SUMMARY: Saarland Minister-President Peter Mueller (Christian Democrat-CDU) used the state's June 30 "Empower Germany" conference to call for greater innovation and cited his own state's comprehensive economic development strategy as a model for Germany. Mueller's American-style manifesto includes greater autonomy for universities and the development of economic "clusters" within Saarland. It is the M-P's latest effort to publicize his record of reform in the leadup to September state elections. END SUMMARY.

2. On June 30, M-P Mueller addressed almost 1000 attendees (including most of the state cabinet and Social Democrat-SPD opposition leader Heiko Maas) at the state's "Empower Germany" conference, Saarland's biggest political event of the year. His speech centered on the need for innovation in the German economy. He noted that while Germany is a global leader in terms of invention (with 19.5% of the world's patents), too many of its ideas are purchased by foreign companies and taken overseas. Mueller called for an economic approach that encouraged new ideas to stay at home. The M-P pointed to France's practice of creating "national champions" (such as the recent Sanofi-Aventis merger) as a possible model for Germany.

3. Mueller asserted that German business suffers from a sclerotic and risk-averse approach that discourages innovation. He cited the recent failure of the Siemens/Daimler toll collection initiative for trucks as an example, mentioning that the government had spent two billion euros to fund the unsuccessful project while ignoring a competitive and more practical proposal by a Bremen student consortium that would have cost only 1300 euros. The Minister-President called German bureaucracy ponderous and excessive, noting that it takes twenty-two days to open a business in Germany as opposed to only seven days in Great Britain.

4. Mueller called upon German leadership to abolish the current system of higher education and "start from scratch." Instead of "elite" universities (reftel), he advocated more autonomy for universities in selecting their students and the creation of interdisciplinary research networks to develop new ideas and share information. Mueller condemned traditional "stovepipes" at German universities that compartmentalize research and discourage innovation.

5. Mueller hailed his administration's accomplishments in promoting innovation and reducing bureaucracy, suggesting that a victorious CDU in 2006 could use Saarland's success as a template for national reform. He noted that Saarland had abolished 70% of the "red tape" governing business in the state. Mueller lauded Saarland's flexibility in establishing economic "cluster" regions and research networks using the state's small size to exploit niche marketing opportunities like nanotechnology. The M-P pointed to the EU's designation of Saarland as the number one nanotech region in Europe as proof of the state's success. He also observed that Saarland had increased the number of employees in its IT sector by 40% since 1999 (compared with 0.8% growth nationwide).

6. COMMENT: Mueller's manifesto marked a clear shift towards more "American-style" economic ideas, stressing equality of opportunity over equality of result and calling for a flexible business climate fostering hard work and innovation. He stated at one point that "the strong are not here to devour the weak; they are here to encourage the weak to get stronger." Although some of Saarland's structural reform began under the previous SPD administration, Mueller has succeeded in convincing most of the electorate that he is personally responsible for the state's forward-leaning approach. He remains the clear favorite in September state elections. END COMMENT.

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